REHAB VALUATOR PRESENTS

REAL ESTATE DEAL FUNDING ESSENTIALS:

6 WAYS TO STRUCTURE PRIVATE MONEY DEALS TO GET LENDERS TO CHASE YOU!

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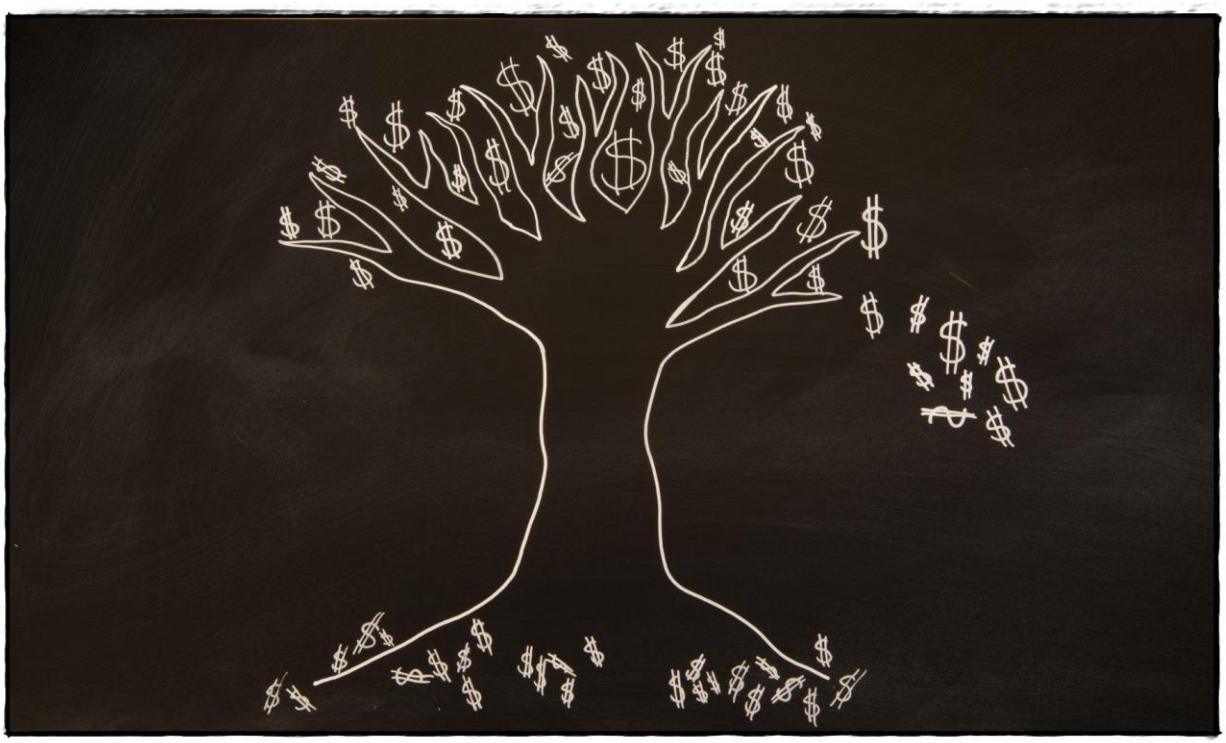
6 Proven Ways You Can Structure Private Money Deals to Get Lenders To Chase You!



Who Should be Reading this Powerful Report:

Real Estate Investors:

The concepts learned here will put you light years ahead of your peers when it comes to raising money and speaking intelligently to potential lenders. When it comes to "private money" or financing of any kind, nothing more than credibility and your ability to get people to view you as professional and knowledgeable. Once you implement what you learn here, you will see your ability to attract money to your deals explode.

Current or Aspiring Money Lenders:

It's just as vital for you to learn these concepts as it is for investors and rehabbers. You will learn how to structure deals for maximum profitability and minimum risk. Some deal structures taught here, like "equity splits" will allow you to achieve huge rates of returns if done with correct partners!

So let's get to it!

"Private Money". If you have built up access to it, the world of real estate becomes your oyster. You can do any deal you want, simply by picking up your phone, calling your private lenders, and getting them onboard. But what is "private money" exactly and how do you get to the point of having ready-to-go financing for any real estate deal at your fingertips? We'll talk about all that here in this content-filled report.

I am going to address a topic that almost nobody else addresses properly and it is a chronic, nagging problem I see a significant number of my real estate friends and colleagues struggling with time and time again: *Knowing how to effectively craft private lender transactions for your real estate deals* so that lenders start going after you, and not the other way around!

The fact is, finding a private lender who's willing to go in financially with you on a real estate deal is one thing, but knowing how to actually structure these transactions with your 'mattress money' friend for ***the greatest possible win/win together***… well that's another thing entirely.

It seems to me that most people in the real estate game know maybe one or two basic ways to structure private lender deals, and in my opinion that's just not enough. If that's you, then you're likely leaving a lot of money on the table.

I'd like to help you change this by walking you through six simple-yet-effective private lender structures I've been using with great success in my real estate investing and development business for more than a decade now.

Start Thinking Like a Transaction Engineer

Maybe it's my background in finance and financial modeling, but it's always just made sense to me to look at each of my deals from multiple angles and think of as many creative ways to approach it as possible before choosing one path or another to move forward with.

But after a long time in the real estate trenches now, I've come to realize that this way of thinking doesn't necessarily come as naturally for everyone else in the arena as it does for me. So one thing I want to do here is help you start thinking more like a *transaction engineer*.

A transaction engineer understands the value of (i) *creative thinking* and (ii) *flexibility* in how you approach each deal, because well, every deal is different.

Each property has its unique facets – the numbers, the features, the neighborhood and local market conditions, highest and best use…

And similarly, no two private lenders are exactly alike – each has their own view of what an ideal return looks like for them, and some will have a higher risk tolerance while others will have a lower risk tolerance.

Your best advantage is in knowing how to work with all types of private money lenders, and the best way to do this is to understand multiple ways you could possibly structure your arrangement with them. This means stepping outside the "one size fits all" box you've been stuck inside, and learning how to structure and present your deals more creatively.

It's not that hard, you just need a few 'templates' to follow, and that's exactly what I'm about to walk you through in plain English here.

Before We Proceed…

Before we proceed, there's something really important that I want you to understand. This report is not like any other report or book you've ever read. There is no motivational fluff here or "filler" just to increase the page count. On the contrary, we go DEEP into the real estate math involved in structuring private lending transactions. Why?

Well it's simple. 99% of your fellow real estate investors do not understand these concepts. And if you take the time to really pay attention and learn these deal structuring scenarios and how each one may benefit you and/or your private lender, you'll be able to position yourself as a seasoned, trustworthy professional in the eyes of any lender. And that, in return, will lead to virtually unlimited funding for any real estate deal you find.

Speaking of "Structuring" and "Presenting": How I've Made This Super Easy For You

One more thing before we dive in:

Getting your head around six solid ways you can structure your private lender transactions is a big help for sure. But knowing then how to *express* these concepts to your private lender in a clear-cut, intelligent and concise manner – well, that's another thing entirely.

In fact, I would contend that your ability (or lack thereof) to effectively structure and then present your private lender proposals in a coherent, organized way is something that can set you categorically apart as either a ***real pro*** or a ***total amateur*** in the eyes of a private lender.

Actually, I've seen this be a complete game-changer for our investor clients.

To this end, I have create an online tool that flat-out solves the deal-structuring and the 'explaining it to your lender' parts for good.

In a nutshell, a few years back I created some simple, user-friendly software for exactly this purpose: To make evaluating and structuring your deals, and then presenting your deals to your lenders a total piece of cake. It's called Rehab Valuator, and I'll be honest, it's completely amazing.

Over the years, I've continued refining and perfecting it into an all-in one analytics and marketing software for investors, which helps you:

- Calculate offers quickly
- Avoid over-paying for deals
- Market your deals like a pro
- Sell your deals faster, for more money
- Raise private money
- Manage your rehab projects
- Easily create comprehensive (yet clear-cut) deal-funding pitches

That last part is *especially* key to our discussion here, because the professional reports you can generate for your private lenders are in an easy 'plug and play' format that allows you to be super-flexible with your deal structuring, depending on the scenario and the type of private lender you'll be presenting to.

You simply enter numbers into specific fields (which you can change as needed), and it does the math for you instantaneously. Once you've dialed in a deal structure you want to roll with, you're just one click away from the most impressive-yet-straightforward private lender proposal you've ever seen.

In other words, it's all about working *smarter* – not harder. As a highly active investor and developer myself, I approached Rehab Valuator knowing *exactly* what I needed this software do to for me, and I've worked *very* hard to ensure it's entirely flexible and comprehensive, while still ridiculously simple and easy to use.

In other words, Rehab Valuator does the 'heavy lifting' for you and gives you instant credibility by establishing you as a total pro in the eyes of your private lenders and colleagues.

Recently, I opened up a dynamic, cloud-based version of the software, and people are absolutely loving it. If you want to check it out, you can test-drive the full-feature Rehab Valuator Premium here for just $1 (no strings attached) and give it a try yourself.

Watch and Learn

So as we walk through this together, I'll also be touching on how you could leverage Rehab Valuator to easily apply each of these six private lender structures to your deal in a snap. You'll be amazed at how simple and easy it can make the whole process.

If you have your own Rehab Valuator account feel free to follow along with the examples I present – plus, I'll include some screenshots throughout that should be helpful. Soon, you'll be structuring deals and raising boatloads in private capital! (Or just follow along with your calculator!)

One final suggestion: Don't try to rush through the info I'm about to share with you. Take your time and really *get* it. It's not super complicated, but like anything you learn for the first time, it might seem clunky at first. Don't let yourself feel frustrated or intimidated by this. Just run back through it a couple of times if you need to until it 'clicks.' If you take the time to learn what I'm sharing here, you'll be able to speak to and present to potential lenders like a pro no matter your level of expertise.

For those who know me and are familiar with my style, you know I don't care too much for fluff. I prefer to just give out solid, proven information you can put to use in your business immediately, and that's exactly what I aim to do for you here.

So, let's get to it…

The Basics: 3 Primary Types of Financing for Residential Real Estate Investing

Before we get into the nuts and bolts of working with private money lenders, I want to do a quick review of (i) the types of financing that are out there, (ii) the differences between them, (iii) and the pros and cons of each.

Once you get the clear picture of the types of financing, you will more fully understand where private lenders best fit in, and why they're so key to your real estate business.

Primarily, there are 3 major types of financing for residential investment real estate. They are:

1. Bank Financing
2. Hard Money Lenders
3. Private Money Lenders

Are there other sources of capital? Sure! But these are the three primary ones and the ones I will be explaining.

Please bear in mind that it would be practically impossible for me to cover every funding scenario for *all* the different types of niches in real estate investing, so for our purposes, we'll focus just on residential real estate that you're either rehabbing and flipping. The good news is that these same principles can be applied to other types of deals, including rentals.

Type 1: Bank Financing

'Conventional' Bank Financing

Bank financing entails two different groups. The first one is *conventional lenders.* This refers to entities such as *Fannie Mae* and *Freddie Mac*.

In my experiences, dealing with conventional bank lenders almost always means experiencing all sorts of unnecessary hassles and painful issues – *especially* for investors.

First of all, there's an automatic limit to the number of properties that conventional lenders will allow, which is 10. I've heard of them going back and forth between limits of 4 and 10; I actually don't know what it is now because I just don't deal with these lenders anymore myself.

The bottom line is their guidelines are extremely strict, full of hassles and require a ton of paperwork. You also must have a sterling credit rating as well, and they'll almost always require you to sink 20%-30% down. Basically, they'll want to know everything about you, and it's just very difficult to qualify and a real pain overall. If you've ever tried to go this route, you know exactly what kind of a nightmare it is.

'Portfolio' Bank Financing

The second group under bank financing is *portfolio lenders*. This group includes local *community banks* and *credit unions*. From an investor's perspective the most prominent difference between portfolio lenders and conventional lenders is that portfolio lenders are far easier to deal with.

The reason they're called "portfolio" lenders is because their loans are mostly kept in their own portfolio rather than being sold to the secondary market, which means they are not subject to the strict guidelines that govern entities such as Fannie Mae and Freddie Mac.

Since portfolio lenders loan their own funds to you, they can be much looser and flexible with their lending guidelines, which can often create a path of much less resistance for you to borrow from them.

You still must qualify based on income, credit, global cash flow, and balance sheet. These lenders often add weight to their assessment of you *personally* and your business rather than just what your credit score and financials say on paper. They will, however, still examine everything you have such as your assets, other properties, and balance sheet.

Generally, these loans carry short-term calls, which means they may expect your loan to be repaid within 3, 5, or 10 years.

I presently have a very large number of loans with this type of lender, which tells you that I like portfolio lenders and tend to use them a lot. I find that the interest rates I get from portfolio loans are much lower than what I would otherwise pay a hard or private lender – and I'm a fan of cheap money when I can get it.

Type 2: Hard Money

If you're unable to qualify for either the portfolio lenders or the conventional lenders, another option to consider is to go with a hard money lender.

Hard money lenders are in the business of making higher-risk loans, and they're at this business. This method of financing works great if you need money fast and for only a short time. These lenders are very expensive, and the way they make their profits is by turning over their money quickly. Typically, they won't lend on a deal for more than 12 months, because they make much of their money on *points*.

"Points" is another way of saying a certain percent of the total loan. One point is the same as saying 1% of the loan amount.

Most hard money lenders charge a 12% to 16% interest rate and as well as 4 to 8 points up front. So if you're borrowing $100k from a hard money lender, it can cost up front anywhere from $4,000 to $8,000. (In some instances, you may get them to agree to tack your points onto the backend of the loan so you don't have to pay them up front – it's all up to how they do business and what you're able to negotiate with them.

But again, this is very expensive money. If this is the route you choose to take, you will need a very solid deal and a secure exit strategy. If you can't get out of that loan in 12 months, you're in trouble. The lender could raise the interest rate, charge you another heap of fees and points, or even foreclose on the property.

I've seen in many cases where the hard money lender states in a clause in the contract that if you don't get out of that loan in 9 or 12 months (whatever the contract says), the interest rate suddenly skyrockets to nearly double what you started out paying. These guys are serious about keeping their money moving in and out of deals, rather than sitting parked in a single property for an extended period.

Think about it – if you're paying 15%-20% annualized on your money, that's going to eat into your profit margins *bigtime*.

So my general philosophy is this: Unless you have a strong, secure deal, it's best to steer clear of hard money lenders.

Type 3: Private Money

This brings us to private money lenders, which is obviously our core topic here.

Private lenders are often just regular people you know or come into contact with in your everyday life, who happen to have cash available that you could tap into. For the most part, they're not professional lenders and may not even know much about real estate investing.

When dealing in this arena, you contend with far fewer rules and regulations. The regulations that are in place really have more to do with how you *solicit* private money as opposed to how you *structure* your private money deals. That's really an entirely different conversation for a different time.

Private lender terms can be as flexible as you can imagine. About any structure you can create (and that you and your private lender agree on) is possible.

Overall, my view is that private money is by far the most flexible money that you will find. Most of the time, you'll need to pay a higher interest rate than you otherwise might with a portfolio lender, but it's still a heck of a lot less costly than your typical hard money lender, and it's just about impossible to beat the flexibility factor.

How It Can Play Out in Real Life

So now that you have an overview of the 3 basic types of financing, let's briefly take a closer look at how you might consider each one in a real-life deal.

Let's say you want to buy, rehab, or flip a house and you've decided to go to either a local community bank or credit union. The first roadblock will be that conventional lenders will almost never finance a renovation. (That is, unless you are going to be the occupant, which you are not.)

One option will be to get a *construction loan*. I actually get these from time to time on bigger projects. Even with these types of loans you will still need to qualify based on income, credit, assets, and so on. Additionally, you might get a 4%-7% interest rate, and typically a 6- to 12-month term after which the loan will be called (or will roll over in what's called a mini-term).

Personally, I like construction loans for my bigger projects because it's not expensive money. However, the borrower still must be able to qualify, and the qualification process can be pretty intense even with portfolio lenders.

Or you can go to a hard money lender if the deal is strong. In this case, you don't need to have good credit, income, or assets. Hard money lenders almost always look purely at the deal. But as I stated previously, it's very expensive money. You must be able to rehab and sell the house under the terms specified or lose the house to the lender – or possibly risk paying even higher interest rates.

Plus, almost in every instance, a hard money lender will want you to put "skin in the game" or money down on the deal. It's almost impossible right now to find 100% hard money financing.

The next option, of course is to consider a private lender. The terms between you and your private lender are completely up to the two of you. Here's how it plays out...

You, as the borrower, receive a loan for X amount of money from the private lender in exchange for a monthly interest payment based on X percent. In most cases, the lender receives a deed of trust or a mortgage on the property. There is also a promissory note for the amount of the loan, promising to repay the loan after the agreed term.

You, as the investor, find the deal, rehab and flip the house, while the lender funds either all or most of the purchase and renovation. (Later, I'll show you how to present your deals to these potential lenders.)

Ok! Ready to Dive Right In?

The 4 Main Scenarios

Before we dive right all-in to the nitty-gritty here, it will be helpful for you to understand that all six of these specific private lender structures can be categorized under four broader private lender ***scenarios***.

A: Lower LTV Debt Scenario

"LTV" stands for loan-to-value, and it refers to the ratio of debt compared to the value of the property. So in this first scenario, a lender hedges their risk by keeping a relatively low LTV in your deal and requiring more "skin in the game" from you or a partner of yours.

We'll discuss 2 possible private lender structures under this type of scenario:

Structure 1: Your lender funds 50% of both your acquisition and rehab costs.

Structure 2: Your lender funds your acquisition, but not the rehab.

B: Higher LTV Debt Scenario

In the "higher loan-to-value" scenario, the lender would be willing to take a little more risk with you and fund more of your deal – which is always great if you can get it.

I'll cover 2 private lender structures under this scenario:

Structure 3: Your lender funds *everything* with a straight interest rate.

Structure 4: Your lender funds it all (including rolling in the closing and holding costs) and lets you defer any interest payment until after the property sells.

C: Debt + Equity Scenario

The "debt and equity" scenario is a little more creative, in that your lender gets paid two different ways from the deal.

Structure 5: Your lender funds everything, and you give them both (i) an interest payment and (ii) a cut of your end-profits in the deal.

D: 100% Equity Scenario

Finally, I'm going to cover a scenario that's really more like a single-deal partnership, but viable for sure and should definitely be counted in your arsenal of options to consider.

Structure 6: Your lender funds everything with only a profit split.

Risk Versus Reward

Something to bear in mind: At times, your lender may not feel comfortable with taking a large risk by funding your entire purchase price and renovation. Instead they may ask you to put some of your own money into the deal as well. This happens if your deal feels particularly risky for some reason, or when your lender simply has a lower tolerance for risk, and they feel like their risk can be offset some if you have some of your own 'skin in the game' as well.

This touches on an important point: When structuring your deals, **the return your lender receives should be commensurate with the risk that he takes on**.

The graph here shows how the risk/return compensation works in the four lending scenarios we reviewed. You start with the low-risk, low-return scenario of Low LTV Debt. As you go up the risk spectrum, your lender lends you a higher loan, and the potential return keeps going up as well.

Take a look…

The main point here is that the more risk your lender takes on – the more money they're lending you versus the value of the property – the higher their potential return should be as well. Higher private lender risk equals higher private lender reward.

This concept will become clearer as we now progress through the 6 ways to structure your private money deals.

Our Example Deal:

Here's an example deal we'll be referencing for our deal-structuring scenarios:

Purchase price:	$100,000
Required repairs:	$37,000
Closing and holding costs:	$3,000
Your total cost basis (not including financing costs):	$140,000
After repair value (purchase value):	$200,000

Keep in mind as we move through these examples that I am using numbers for demonstration purposes only.

You're buying the property at 50% of the After Repair Value (ARV). The ARV is what the property will appraise for (and also the price it will be marketed and sold for, if you're selling rather than keeping) after all the repairs are made.

Once the repairs are completed, and you've accounted for the soft costs, your total cost basis is 70% of the ARV. That leaves you 30% for profit margin.

Okay, now let's dive into the six ways you can structure private lender transactions.

Structures 1 and 2: Lower LTV Debt Scenarios

Let's start by walking through the lowest risk lending scenarios – Low LTV debt.

I'll walk through two different ways you can structure this.

Structure 1: Lender Funds 50% of Acquisition and Rehab Costs

In this scenario, the lender agrees to fund 50% of the total cost of the project – that is, 50% of the acquisition and also 50% of the costs of renovation.

By the way, please keep in mind that just because I'm explaining this scenario doesn't mean that it's ideal for you or your deal. From a bottom line standpoint, this type of arrangement is clearly not optimal for you as the investor – **it's generally best when you *don't* have to use your own money in the deal.** But each of these scenarios is worth taking in, because you never know when one of them – even your 2nd, 4th or 6th choice – could be the one that actually gets the deal done for you, depending on the circumstances at hand.

Or you may start off with a new private lender at whatever terms make them feel most comfortable at first, but then once you prove yourself with a deal or three, it may well open the door for better terms together on future deals. Oftentimes, doing a deal with terms that may not be ideal can still get your foot in the door with someone you want on your side for the long-haul. Something to think about.

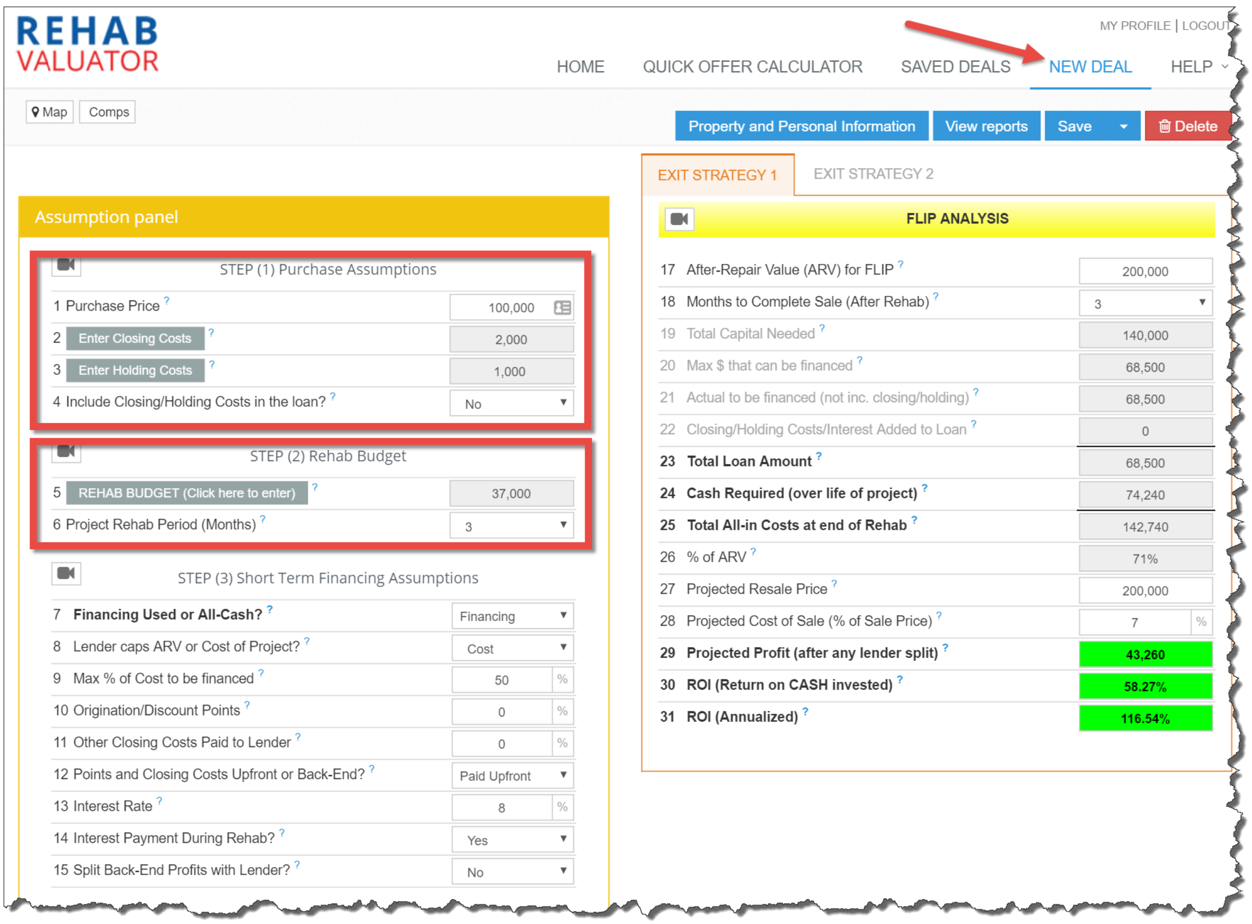
So again, in this first structure, the lender funds 50% of the acquisition and 50% of the rehab cost of the project, and you as the investor, are responsible for the other half of each, *plus the closing costs and holding costs*. So you'll be making interest payments to your lender during the rehab.

Let's Plug and Play

Here's how this deal would look in *Rehab Valuator*: Starting from the Welcome page, open up a "New Deal" for analysis.

Step 1 – Purchase Assumptions: Under *Step 1*, just fill in the fields for your purchase price and estimated closing and holding costs – we'll assume about $2,000 in closing costs for the deal, and around $1,000 in misc. holding costs, like utilities and such.

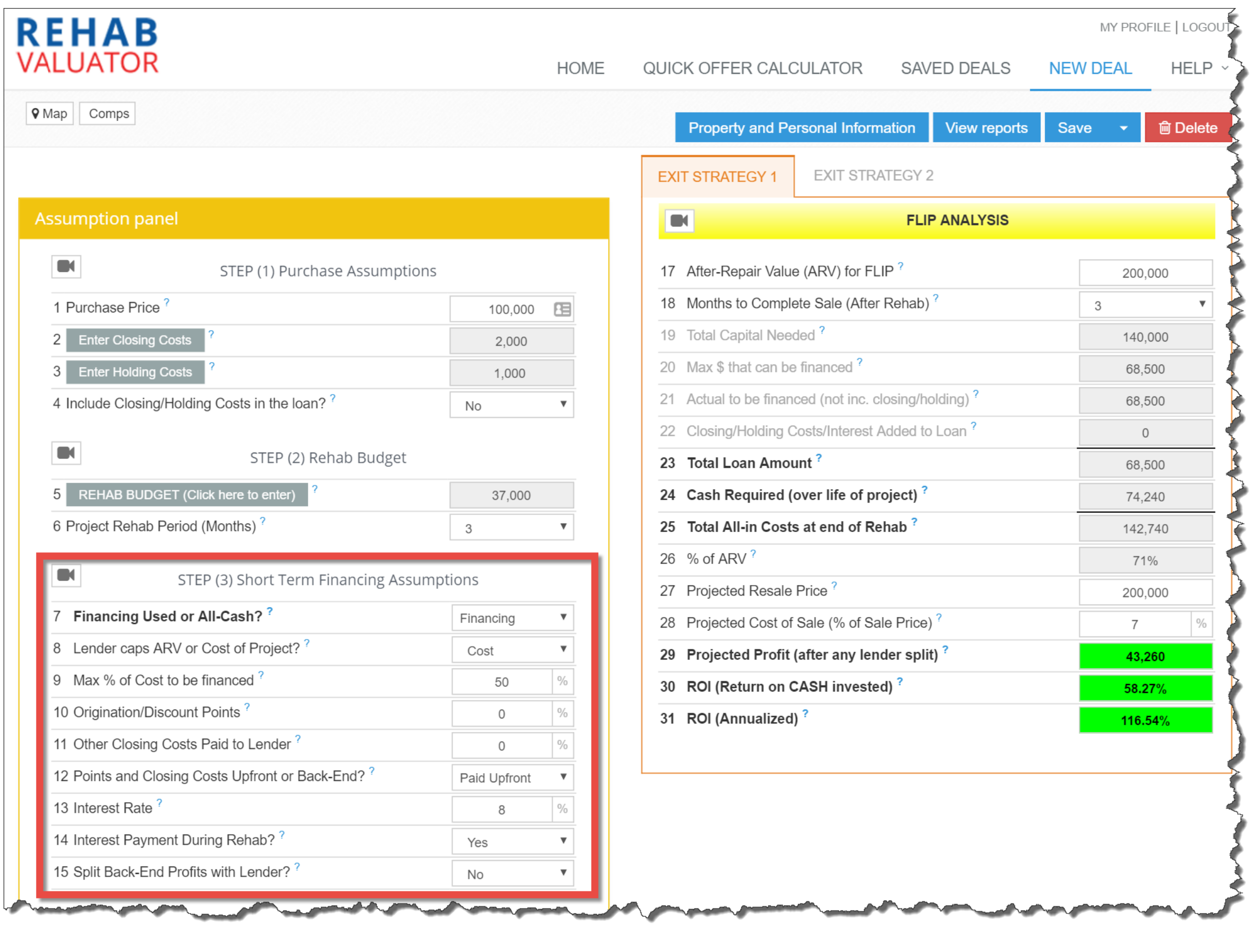
Step 2 – Rehab Budget: Under *Step 2*, add your estimated rehab cost, and let's assume it'll take 3 months to complete the renovations.



Step 3 – Short-Term Financing Assumptions: Since you're definitely financing this deal rather than paying all cash, choose ***Financing*** from the drop-down menu on line 7.

Next, you're given different options for how your lender will finance your project. This is based either on cost, on a percentage of cost, or a percentage of the ARV. In this case, your lender has agreed to fund a certain percentage (50%) of the cost. So you'll select ***Cost*** for line 8 and input ***50%*** for line 9 – *Max % of Cost to be financed*.

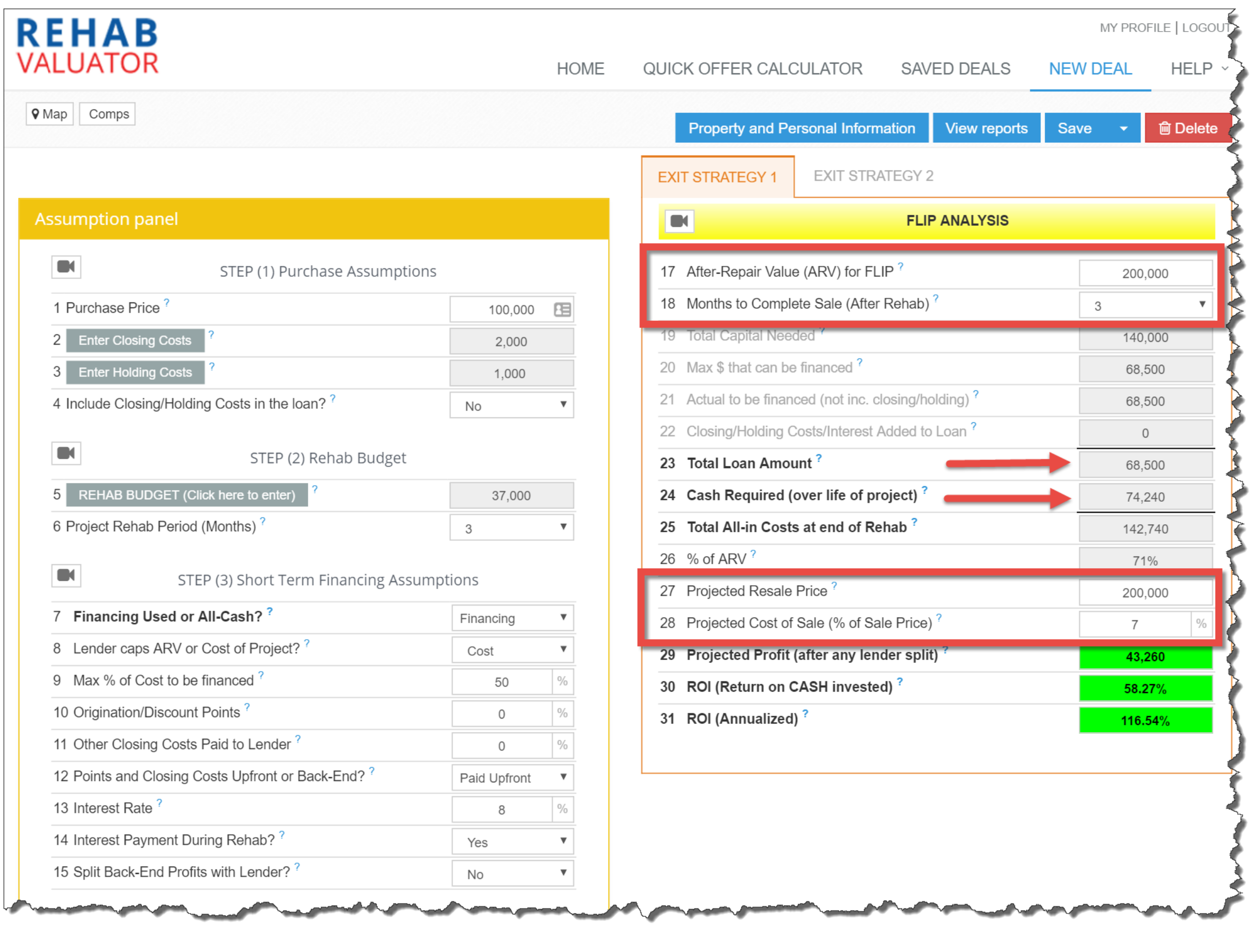
Now let's say your lender wants an 8% return on his money, and he also wants to receive his interest in the form of monthly payments over the course of the project. So for *Interest Rate* (line 13) simply input the 8%, then for *Interest Payment During Rehab* you select ***Yes***. For line 15 select ***No***, since there will be no profit split in this example.



Now let's move over to the right side of the page for the final pieces.

EXIT STRATEGY 1 > FLIP ANALYSIS: If you recall from earlier, our ARV is $200k, so you'll input that on line 17. And let's assume for line 18 that we'll take around 3 months after the rehab is done to actually get this property sold. (So 6 months total for the whole project when you add to the 3-month estimated rehab timeframe.)

Then for *Project Resale Price* (line 27), let's assume you're going to sell it for the full ARV of $200k, and that your *Projected Cost of Sale* (line 28) is about 7% - this would be for your Realtor commission and closing costs upon sale.



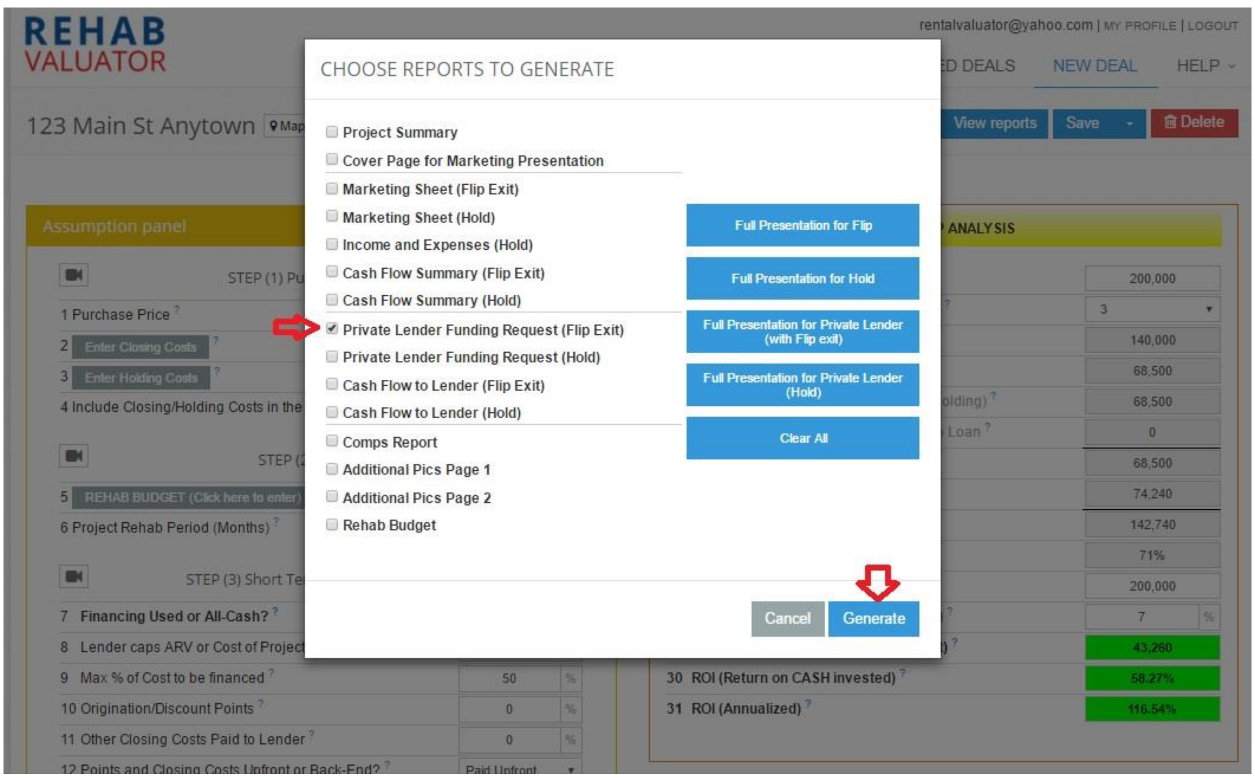
Now based on the information you've entered, Rehab Valuator will calculate a number of helpful things automatically for you. But notice from the screenshot here that the total amount you're borrowing from your private lender is **$68,500** – which is 50% of the total capital needed for purchase and rehab; whereas you'll be coming to the table with **$74,240** – which is your 50% of the acquisition and rehab, plus the total estimated closing costs ($2k), holding costs ($1k) and interest payments (8% over 6 months).

Now can you see why we call this a low loan-to-value debt scenario? You're essentially saying to your private lender, "Hey, I need you to fund half of this project at $68,500, which actually equates to only 34% of the property's ARV." Most any lender would feel very secure with this type of situation.

Making a Snappy Private Lender Presentation

Another place where Rehab Valuator really shines is in how easy it is to create an extremely professional, easy-to-read report for your private lender, giving him or her all the key details in a clear, concise way of (i) the property (ii) the deal structure and (iii) their projected return on investment (ROI) in your deal. It very quickly summarizes the whole deal and makes you look like a total pro from the get-go.

Click "View Reports", then select "Private Lending Funding Request (Flip Exit):



Here's what your Private Lender will see:

PRIVATE LENDER FUNDING REQUEST (FLIP EXIT)

OPPORTUNITY TO EARN 8% SECURED BY 1st LIEN ON REAL ESTATE

Property Street address:	**123 Main St**	**Presented by:**
Property City, State, ZIP:	**Anytown, Anystate**	**Your Name**
Bedrooms, Baths, SqFt, Built:	, , ,	Your Company
Notes:		Your Phone
		Your Site

PURCHASE/LOAN ASSUMPTIONS		% of ARV
After-Repair Value (ARV)	200,000.00	
Purchase Price	100,000.00	50.00%
Rehab Costs	37,000.00	18.50%
Closing/Holding Costs	0.00	0.00%
Total Funds Needed:	**68,500.00**	**34.25%**
Points/Interest (Deferred)	0.00	**0.00%**
Total Loan Amount	68,500.00	**34.25%**
Interest Rate Offered to Lender:		**8.00%**

Timeline Assumptions:	
Time to Complete Rehab	3 Months
Time to Complete Sale	3 Months
Total Time:	**6 Months**

Project Description Tell about your project here

Other Notes: Any other info included here

PROJECTED FINANCIAL RESULTS FOR LENDER:	
Total Interest Income	2,740
Total Income to Lender	2,740
Cash-on-Cash Return (annualized)	8.00%
Internal Rate of Return (annualized)	8.30%


Sample Photo - You can enter any caption here


Sample Photo - You can enter any caption here

Powered by www.rehabvaluator.com

Rounding Up Private Lending Structure #1

So let's quickly recap…

Purchase price:	$100,000
Required repairs:	$37,000
Closing and holding costs:	$3,000
After repair value (purchase value):	$200,000
Lender puts up:	$68,500
You put up:	$74,240
Your projected profit:	$43,260
Your cash/cash return:	58.27%
Your annualized ROI:	116.54%

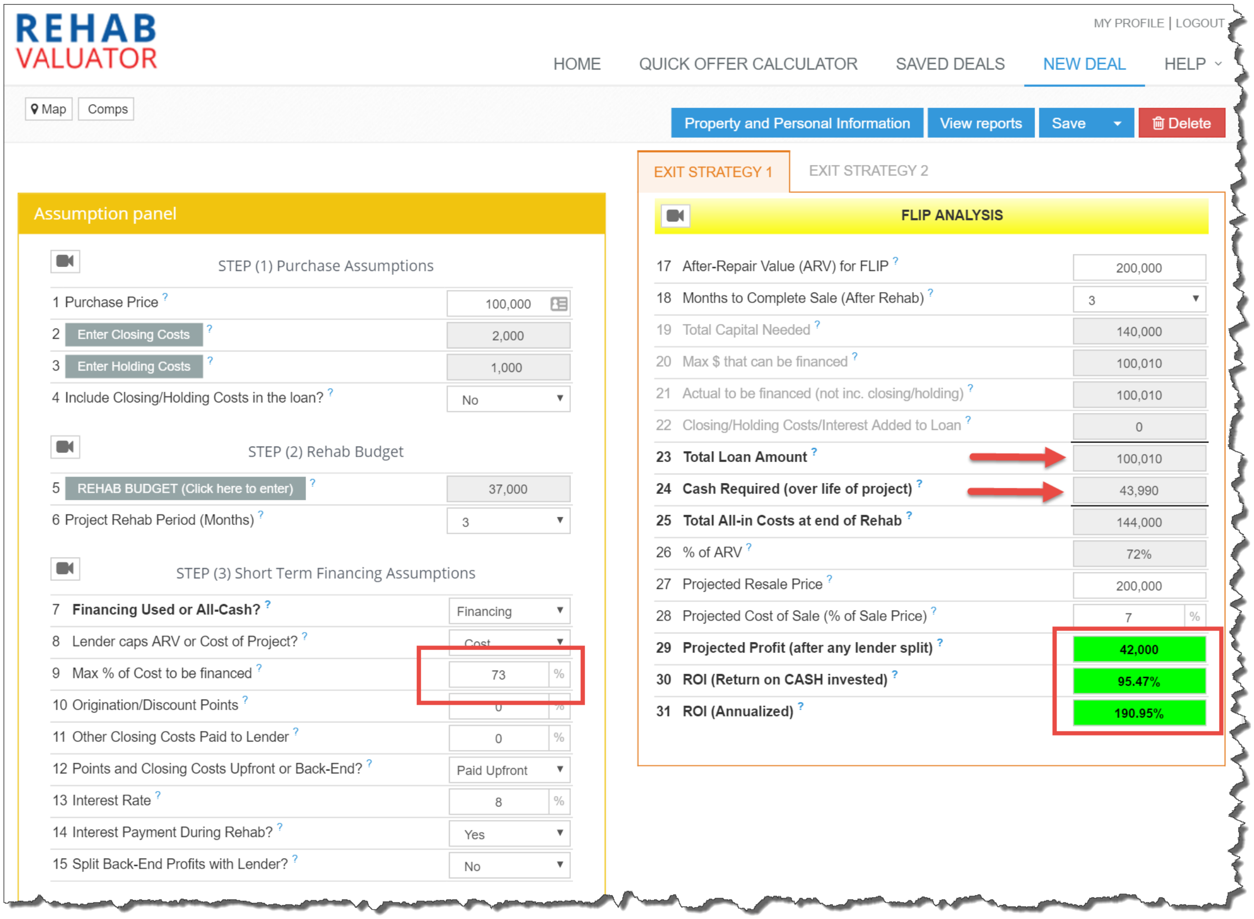
From this, you can see that even though you're putting up a good deal of cash, you're making a great return. Now let's move onto the next deal structure!

Structure 2: Lender Funds Your Acquisition but Not Rehab

This is our second *Low LTV Debt* scenario, and in this example the lender is willing to totally fund your full acquisition cost but none of the repair costs. So one way or another, you'll need to come up with the cash for the rehab, and more than likely your closing and holding costs, as well as the interest payments during the rehab. This will be a slightly higher loan-to-value scenario than the previous example, but still considered low loan-to-value debt.

Time to return to the *Rehab Valuator* so we can see visually how this plays out. And in this example, things get just a little tricky because you have to 'backdoor your way' into the calculations a little bit. But rest assured, it's still super easy to do.

Here's how it looks…



Almost all our numbers are input exactly the same as before, except this time the lender is willing to fund your full purchase price of $100,000 (line 1). But remember, when you take your rehab costs, closing/holding costs, etc. into account, this is still only a percentage of the $140K total capital needed to fund the deal (line 19).

So what you need to do is get your *Total Loan Amount* on line 23 to be $100K, however, since this isn't an editable field, you'll do this by:

> **<u>First:</u>** dividing your purchase price by your combined purchase + rehab. So in this case, that's $100k (purchase price) divided by $137k (purchase + rehab cost). In this case, you get 73% as your answer.
>
> **<u>Then Second:</u>** Input your answer – 73% - into the field for Max % of Cost to be financed (line 9).

Then what you'll see happen is the *Total Loan Amount* on line 23 will now reflect your purchase price of $100,000.

As mentioned, everything else in the equation stays the same.

How This Shakes Out For You

The result in this scenario for you is:

1) Your projected profit will be **$42,000** – which is around the same projected profit as the last deal structure we looked at (within around $1,000 bucks).
2) But your out-of-pocket this time is only **$43,990** – which is over $30k less than you had to bring to the table yourself in the first structure we looked at.
3) And your Return on Cash Invested (yours, not your lenders) has now **more than doubled**.

Here's how the deal will look from YOUR perspective (this is generated under View Report -> Marketing Sheet (Flip Exit)):

PURCHASE/REHAB ASSUMPTIONS			PROJECTED RESULTS	
		% of ARV	Projected Resale Price	200,000.00
After-Repair Value (ARV)	200,000.00		Projected Cost of Sale	14,000.00
Purchase Price (Offer Price)	**100,000.00**	**50.00%**	**Flip Profit**	**41,999.60**
Rehab Costs	37,000.00	18.50%	ROI	95.47%
Total Holding and Closing	3,000.00	1.50%	Annualized ROI	190.95%
Total Financing Costs	4,000.40	2.00%		
Total Project Cost Basis	**144,000.40**	72.00%	Timeline Assumptions	
Total Amount Financed	100,010.00		Time to Complete Rehab	3 Months
Total Cash Commited	43,990.40		Time to Complete Sale	3 Months
			Total Time	6 Months

And here's your private lender's snapshot in the report you effortlessly create for them:

PURCHASE/LOAN ASSUMPTIONS		% of ARV
After-Repair Value (ARV)	200,000.00	
Purchase Price	**100,000.00**	**50.00%**
Rehab Costs	37,000.00	18.50%
Closing/Holding Costs	0.00	0.00%
Total Funds Needed	**100,010.00**	**50.01%**
Points/Interest (Deferred)	0.00	0.00%
Total Loan Amount	100,010.00	50.01%
Interest Rate Offered to Lender	**8.00%**	

Timeline Assumptions:	
Time to Complete Rehab	3 Months
Time to Complete Sale	3 Months
Total Time	6 Months

PROJECTED FINANCIAL RESULT FOR LENDER	
Total Interest Income	4,000
Total Income to Lender	**4,000**
Cash-on-Cash Return (annualized)	8.00%
Internal Rate of Return (annualized)	8.30%

Lower Lender Risk = Lower Lender Return

Up to now, we've established that low risk equals low return. To me, an 8% return is rather low, although for many private lenders it's more than enough, as they compare it to what they'd be getting in the stock market.

The first two structures we covered here are considered low-risk because your private lender is loaning you such a low percent of the ARV, and you have to come to the table with so much of your own money.

Think about it this way: In either of these first two structures, probably the worst thing that can happen to your lender is for you to make all your payments on time and pay off the loan as agreed. They'd very likely end up making more money if you were to bail on the deal altogether. Why? Because they'll have a first lien on the property at such a low LTV, that they'd probably end up making more money on this property even if they had to foreclose and sell the property to somebody else.

So these two are very low-risk structures for your private lender, which in my view warrants a relatively low return.

Structures 3 and 4: Higher LTV Debt Scenarios

Now let's walk through a couple of Higher LTV Debt scenarios, which bring a bit more lender risk, but also a greater potential reward for your lender.

Structure 3: Lender Funds It All + Gets a Straight Interest Rate

In this scenario, the lender funds 100% of the cost of the project, and you are responsible for the closing and holding costs, and of course for making your monthly interest payments during the project.

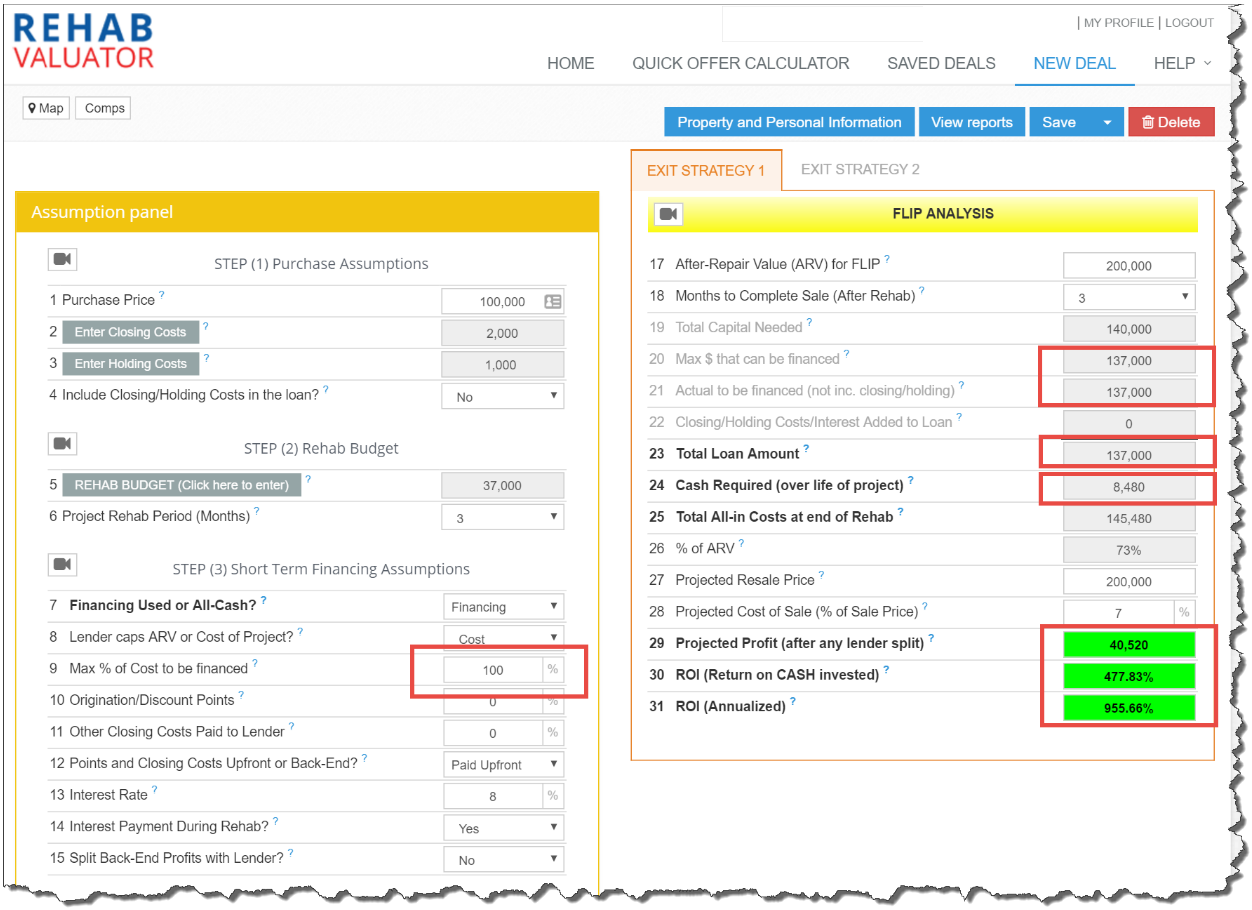
And let me clarify something here: I am *not* recommending you structure deals where you have to make monthly interest payments if you don't have to. It's all in what you can negotiate, and it certainly makes sense to try and avoid having to make monthly payments during your project if you can. But at the end of the day, it's just not always possible.

There are always so many ways to structure deals, and I'm simply showing you how to flexibly structure deals to accommodate your lenders. Hopefully this helps you think outside the box.

Okay, so let me show you what this situation would look like by going back to our financing scenario. Almost all of our numbers are exactly as before, except this time you'll factor in that your lender will finance 100% of the purchase and rehab costs, and assume that there are no additional points to pay.

> ***Side Note:*** *If this were a portfolio lender, you would probably have points to pay and closing costs associated with the loan. But because this is private money, I'm assuming you've negotiated that there are no points to pay.*

So let's see how it looks…



Here's how the numbers have changed:

- You've updated the *Max % of Cost to be Financed* (line 9) to "100%."
- This automatically updated the fields for (i) Line 20 – *Max $ that can be financed* (ii) Line 21 – *Actual to be financed* and (iii) and Line 23 – *Total Loan Amount* to "137,000" (that's your $100k purchase + your estimated $37k rehab).
- This also takes your own out-of-pocket cash required (Line 24 – closing + holding + interest payments) down to **only $8,480**.

And here's something especially cool to make sure you don't miss: Your projected profit of $40,520 (line 29) is around $1,500 less than the last scenario, but both your cash-on-cash return and your annualized return on this deal (lines 30 & 31) are actually *huge* because you're only putting in $8,480 dollars of your own money into this deal (line 24), which is waaaaaaay less than in the previous two scenarios we looked at.

How This Looks to Your Lender

So here your lender puts up $137,000, which is only 69% of the ARV. This scenario leaves plenty of cushion for them and is a very palatable risk to most private lenders – especially if the rehab is done properly, so the property ends up truly worth $200K in the end.

PURCHASE/LOAN ASSUMPTIONS		% of ARV	Timeline Assumptions:	
After-Repair Value (ARV)	200,000.00			
Purchase Price	100,000.00	50.00%	Time to Complete Rehab	3 Months
Rehab Costs	37,000.00	18.50%	Time to Complete Sale	3 Months
Closing/Holding Costs	0.00	0.00%	**Total Time:**	**6 Months**
Total Funds Needed:	**137,000.00**	**68.50%**		
Points/Interest (Deferred)	0.00	**0.00%**		
Total Loan Amount	137,000.00	**68.50%**		
Interest Rate Offered to Lender:		**8.00%**		

PROJECTED FINANCIAL RESULTS FOR LENDER:	
Total Interest Income	5,480
Total Income to Lender	5,480
Cash-on-Cash Return (annualized)	8.00%
Internal Rate of Return (annualized)	8.30%

And here is how this looks from your perspective (Marketing Sheet – Flip Exit):

PURCHASE/REHAB ASSUMPTIONS		% of ARV	PROJECTED RESULTS	
			Projected Resale Price	200,000.00
After-Repair Value (ARV)	200,000.00		Projected Cost of Sale	14,000.00
Purchase Price (Offer Price)	**100,000.00**	**50.00%**	**Flip Profit**	**40,520.00**
Rehab Costs	37,000.00	18.50%	ROI	477.83%
Total Holding and Closing	3,000.00	1.50%	Annualized ROI	955.66%
Total Financing Costs	5,480.00	2.74%		
Total Project Cost Basis	**145,480.00**	72.74%	Timeline Assumptions	
Total Amount Financed	137,000.00		Time to Complete Rehab	3 Months
Total Cash Commited	8,480.00		Time to Complete Sale	3 Months
			Total Time	6 Months

As shown previously, Rehab Valuator gives you 1-click access to a simple, 1-page, professional report to make this proposal to your private lender.

Pro Tip: You also have the option to print a *"full presentation,"* which generates a robust, 5-page presentation, which includes a cover page, the 1-page summary report, cash flows (when money is to be dispersed), a comparable sales report, and an array of additional photos of the project property.

Just something to keep in mind when the times comes.

Rounding Up Private Lending Structure #3

So again, let's quickly recap how the numbers stack up here…

Purchase price:	$100,000
Required repairs:	$37,000
Closing and holding costs:	$3,000
Interest payments – 8%:	$5,480
After repair value (purchase value):	$200,000
Lender puts up:	$137,000
You put up:	$8,480
Your cash/cash return:	477.83%
Your annualized ROI:	955.66%

You see the pattern here, right? With each structuring scenario, we're moving from you putting up a lot of cash to putting up only a little cash.

Now let's look at a scenario where you put up *zero cash.*

Structure 4: Lender Funds All + Deferred Interest Payments

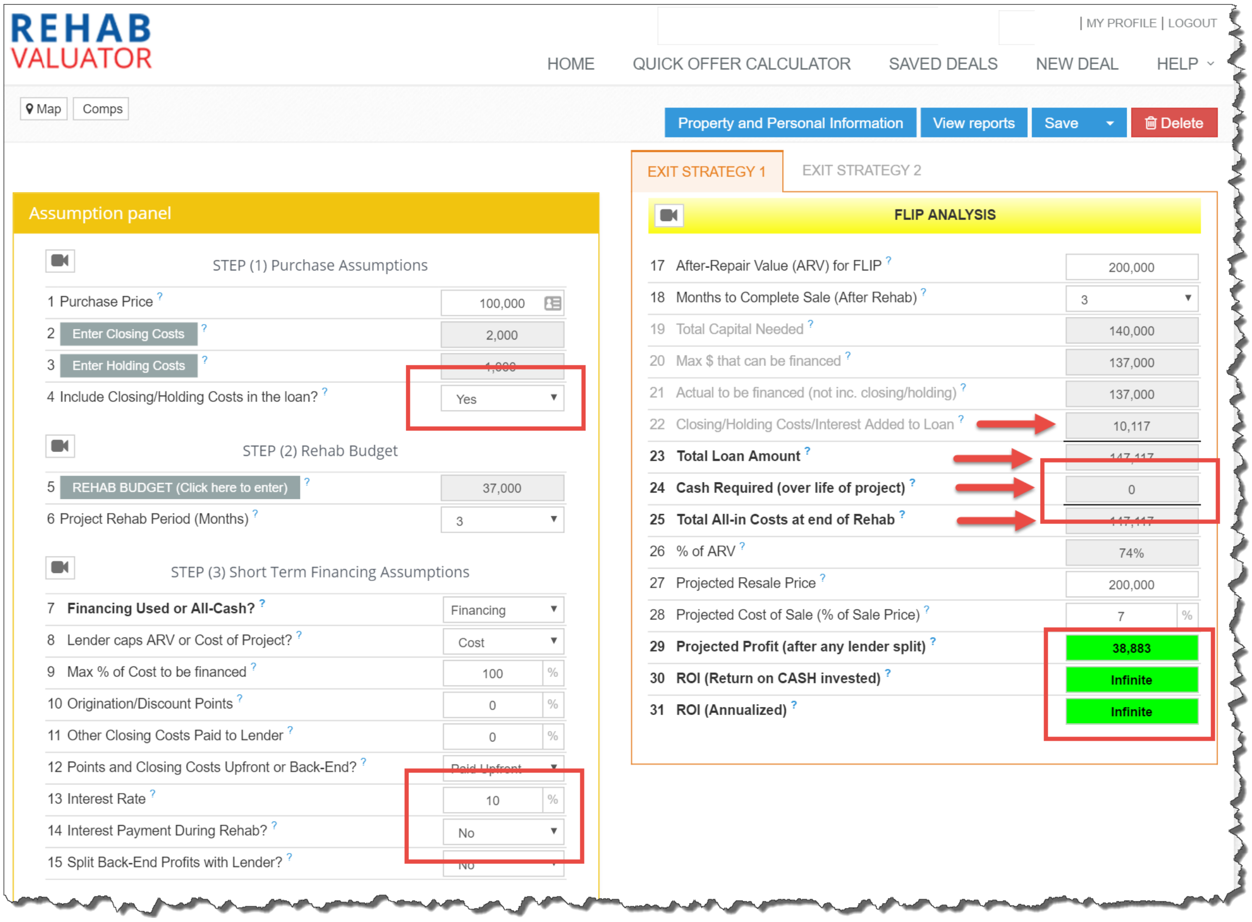
In this scenario, you have a lender who's willing to fund 100% of the cost of the project, as well as pay for closing and holding costs. And this next point is important – *your interest payments are deferred* until the property is sold and the loan is paid off. So yes, a purely zero-cash deal for you.

Here's what we're changing on the left-side for this scenario from the last:

- Line 04 - Include Closing/Holding Costs in the loan? = YES
- Line 13 - Interest Rate = 10% (previously it was 8%, but this lender wants a little more in return for letting you put off your interest payments :-)
- Line 14 - Interest Payment During Rehab? = NO

And here's what that automatically impacts in your calculations on the right-side:

- Line 22 - Closing/Holding Costs/Interest Added to Loan = $10,117
- Line 23 - Total Loan Amount = $147,717 (previously was $137k)
- Line 24 - Cash Required (over life of project) = $0 (previously was $8,480)
- Line 25 - Total All-In Costs at end of Rehab = $117,117 (previously was $145,480)



Notice that at $38,883, your Projected Profit is nearly the same as before (previously was $40,520) but your Cash on Cash Return and annualized ROI are now infinite, which is exactly what happens when you have $0 of your own money invested in the deal.

This is how this structure looks from YOUR perspective::

PURCHASE/REHAB ASSUMPTIONS			**PROJECTED RESULTS**	
		% of ARV	Projected Resale Price	200,000.00
After-Repair Value (ARV)	200,000.00		Projected Cost of Sale	14,000.00
Purchase Price (Offer Price)	**100,000.00**	**50.00%**	**Flip Profit**	**38,882.52**
Rehab Costs	37,000.00	18.50%	ROI	Infinite
Total Holding and Closing	3,000.00	1.50%	Annualized ROI	Infinite
Total Financing Costs	7,117.48	3.56%		
Total Project Cost Basis	**147,117.48**	**73.56%**	Timeline Assumptions	
Total Amount Financed	147,117.48		Time to Complete Rehab	3 Months
Total Cash Commited	-		Time to Complete Sale	3 Months
			Total Time	6 Months

And here is what your Private Lender will see:

OPPORTUNITY TO EARN 8% SECURED BY 1st LIEN ON REAL ESTATE

Property Street address:	**123 Main St**	**Presented by:**
Property City, State, ZIP:	**Anytown, Anystate**	**Your Name**
Bedrooms, Baths, SqFt, Built:	, , ,	Your Company
Notes:		Your Phone
		Your Site

PURCHASE/LOAN ASSUMPTIONS		% of ARV
After-Repair Value (ARV)	200,000.00	
Purchase Price	100,000.00	50.00%
Rehab Costs	37,000.00	18.50%
Closing/Holding Costs	3,000.00	1.50%
Total Funds Needed:	**140,000.00**	**70.00%**
Points/Interest (Deferred)	7,117.48	**3.56%**
Total Loan Amount	147,117.48	**73.56%**
Interest Rate Offered to Lender:		**10.00%**

Timeline Assumptions:	
Time to Complete Rehab	3 Months
Time to Complete Sale	3 Months
Total Time:	**6 Months**

Project Description Tell about your project here

Other Notes: Any other info included here

PROJECTED FINANCIAL RESULTS FOR LENDER:	
Total Interest Income	7,117
Total Income to Lender	7,117
Cash-on-Cash Return (annualized)	10.17%
Internal Rate of Return (annualized)	10.47%


Sample Photo - You can enter any caption here


Sample Photo - You can enter any caption here

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As you can see here, when you add up the purchase price, rehab costs, holding and closing costs, and 6 months of accumulated interest, the total you're asking your private lender to finance is $147,117.48 – but it's still only 73.56% of the after-repaired value of $200k, which is still a pretty safe place for him or her to be in this deal with you.

So Let's Quickly Recap Here:

Purchase price:	$100,000
Required repairs:	$37,000
Closing and holding costs:	$3,000
Interest payments – 10% (deferred):	$7,117.48
After repair value (purchase value):	$200,000
Lender puts up:	$140,000
You put up:	$0
Your project profit	$38,883
Your cash/cash return and annual ROI:	infinite

Not too shabby, eh? Clearly, best scenario for you is when your lender puts up all the cash, and you do all the work. Let's move on, shall we?

Structure 5: Debt + Equity Scenario

So far we've looked at two "Low LTV Debt" scenarios (structures 1 & 2) and two "Higher LTV Debt" scenarios (structures 3 & 4).

Here's where things get really interesting. In the "Debt and Equity" scenario we start getting a little more creative, in that your lender gets paid two different ways from the deal – you give them both interest on their money and also a cut of your end-profits in the deal.

> **You:** *Wait… what?!*
>
> **Me:** *Yep, that's right. Work with me here for a minute…*

Structure 5: Debt + Equity

So let's say your potential lender is not happy with a measly 10% or 12% return – maybe your guy's like "Mr. Wonderful" from Shark Tank and he's looking for more to get him excited enough to get out of bed in the morning.

When faced with a private lender who's solid but wants more like this, most investors would simply say: "Okay, no problem. I really want this deal to happen, so I'll just pay 14%... or 16%... or – *gasp* – ***18%***... because man, I really want to do this deal!"

Well here's my perspective on this, which you can take or leave if you wish: If my lender wants a 14% or higher return, then okay I get it, but I'll need them to be willing take some risks with me beyond just lending at 70% LTV.

So here's one way I would handle it...

So the lender funds 100% of the project including rehab, closing and holding costs. And just like our previous example (structure 4) your interest payment is completely deferred until the property is sold and the loan is paid off. So also like the previous example, you are $0 out of pocket personally in this deal.

But here comes the twist: You (i) *decrease* their actual interest rate, but then (ii) *increase* their potential return by cutting them into the deal.

So let's say you only pay your lender a 4% interest rate, but then you add in a 25% profits split. Your lender would get a 25% cut of your net profits when the deal sells.

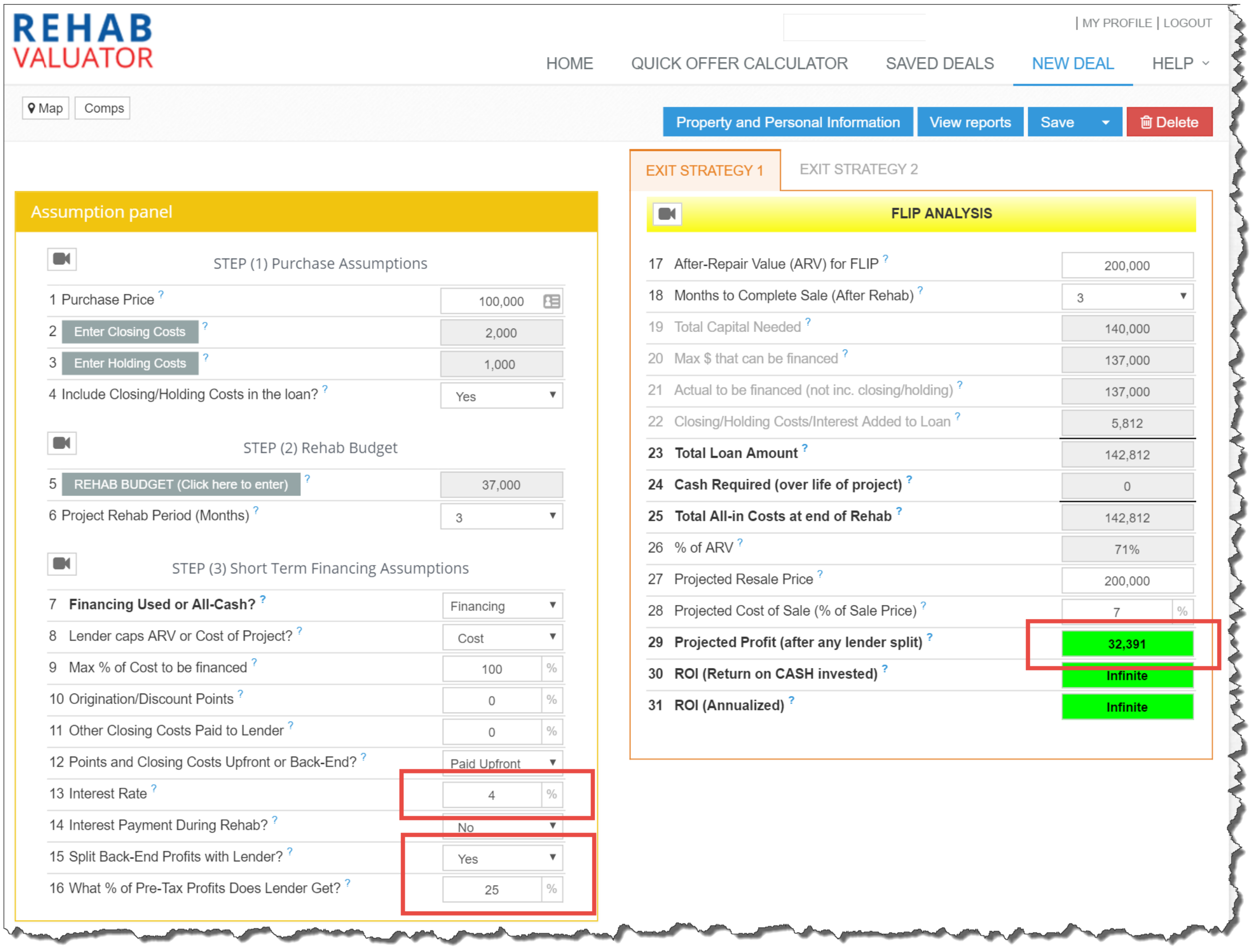
Yes, the lender still gets his first lien on the property to secure the 4% interest loan, but he also gets to enjoy more of the upside with you if the deal is successful.

How Does This Change Things?

Well, now your lender's also got equity in the deal, and they will make more money if the deal is successful. On the other hand, if the deal is not successful, you will not owe your private lender nearly as much money.

This way, the lender stands to make enough money with you to still make his mouth water, but he's also sharing more of the risk with you.

Let's see how those numbers would shake out in *Rehab Valuator*…



So your interest rate's changed from 10% previously, to now only 4% (line 13) and you're now splitting the back-end profits with your lender (line 15) at a 25% cut (line 16).

On the right side you can see that you still need $0 out-of-pocket at closing (line 24), and your projected post-split profit (line 29) is now $32,391. Yes, this is a little over 6K less than your projected profit in the last scenario we looked at, but it's still not too shabby, and by cutting your private lender into the deal like that, you were able to get the deal done, while spreading the risk out a little more than you would have otherwise.

Am I advocating that you split your profits with your lender? Not every time. Think of it as a more creative structure to keep in your back pocket and pull out when your lender is asking for a higher return than you're willing to pay with a straight interest rate. Remember our goal is to be flexible enough to match your private lender's desires with yours and with the deal itself.

Here's how the deal looks from YOUR perspective:

PURCHASE/REHAB ASSUMPTIONS		% of ARV
After-Repair Value (ARV)	200,000.00	
Purchase Price (Offer Price)	**100,000.00**	**50.00%**
Rehab Costs	37,000.00	18.50%
Total Holding and Closing	3,000.00	1.50%
Total Financing Costs	2,811.64	1.41%
Total Project Cost Basis	**142,811.64**	71.41%
Total Amount Financed	142,811.64	
Total Cash Commited	-	

PROJECTED RESULTS	
Projected Resale Price	200,000.00
Projected Cost of Sale	14,000.00
Flip Profit (after Lender Split)	**32,391.27**
ROI	Infinite
Annualized ROI	Infinite
Timeline Assumptions	
Time to Complete Rehab	3 Months
Time to Complete Sale	3 Months
Total Time	6 Months

Again, here's how it looks to your lender:

PURCHASE/LOAN ASSUMPTIONS		% of ARV
After-Repair Value (ARV)	200,000.00	
Purchase Price	100,000.00	50.00%
Rehab Costs	37,000.00	18.50%
Closing/Holding Costs	3,000.00	1.50%
Total Funds Needed:	**140,000.00**	**70.00%**
Points/Interest (Deferred)	2,811.64	**1.41%**
Total Loan Amount	142,811.64	**71.41%**
Interest Rate Offered to Lender:		**4.00%**

Timeline Assumptions:	
Time to Complete Rehab	3 Months
Time to Complete Sale	3 Months
Total Time:	**6 Months**
Profit Split to Lender	**25.00%**

PROJECTED FINANCIAL RESULTS FOR LENDER:	
Total Interest Income	2,812
Profit Split	10,797
Total Income to Lender	13,609
Cash-on-Cash Return (annualized)	19.44%
Internal Rate of Return (annualized)	20.48%

So your lender puts up everything at ~$142k, and you're deferring $2,811 in interest payments till the project is sold.

> **You:** *What?! The lender's only making $2,811 in interest?!?*

Me: *That's right, because we lowered them down to a paltry 4%. But their 25% profit split will net them almost $11k more…*

Month	0	1	2	3	4	5	6	7	8
Purchase	(100,000)								
Purchase Closing Costs	(2,000)								
Orig/Disc Points and Loan Closing									
Holding Costs		(167)	(167)	(167)	(167)	(167)	(167)		
Rehab Draws/Expenses	(37,000)								
Interest (Paid or Accrued)		(463)	(464)	(464)	(465)	(466)	(466)		
Total Cash Spent in Period	0	0	0	0	0	0	0		
Cumulative Cost Basis	(139,000)	(139,630)	(140,262)	(140,896)	(141,533)	(142,171)	(142,812)		
Sale Price							200,000		
Selling Costs							(14,000)		
Profit Split to Lender							10,797		
Flip Profit to Investor (Pre-Tax)							32,391		
Total Cash Committed							0		
Return on Cash Investment							Infinite		

… And trust me, this will make your lender *very happy.*

So Let's Quickly Recap Private Lending Structure #5

Purchase price:	$100,000
Required repairs:	$37,000
Closing and holding cost:	$3,000
4% Interest (deferred)	$2,811.64

After repair value (purchase value):	$200,000

Lender puts up:	$142,811.64
You put up:	$0

Profit split to lender – 25%	$10,797
Your project profit (after splits)	$32,391
Your cash/cash return and annual ROI:	still infinite

The bottom line is this: When deals turn out like this one, your lender will be more than ready to do more deals with you.

Could you be better off by giving 8%, 9%, or 10% interest without a profit split? Perhaps. But when you've got a solid, reliable lender who just wants a higher rate of return, don't cave in and pay that high interest rate just because you're asked to. Instead, try using a structure like this one to tie their success right into the success of your deal.

Structure 6: Pure Equity Scenario

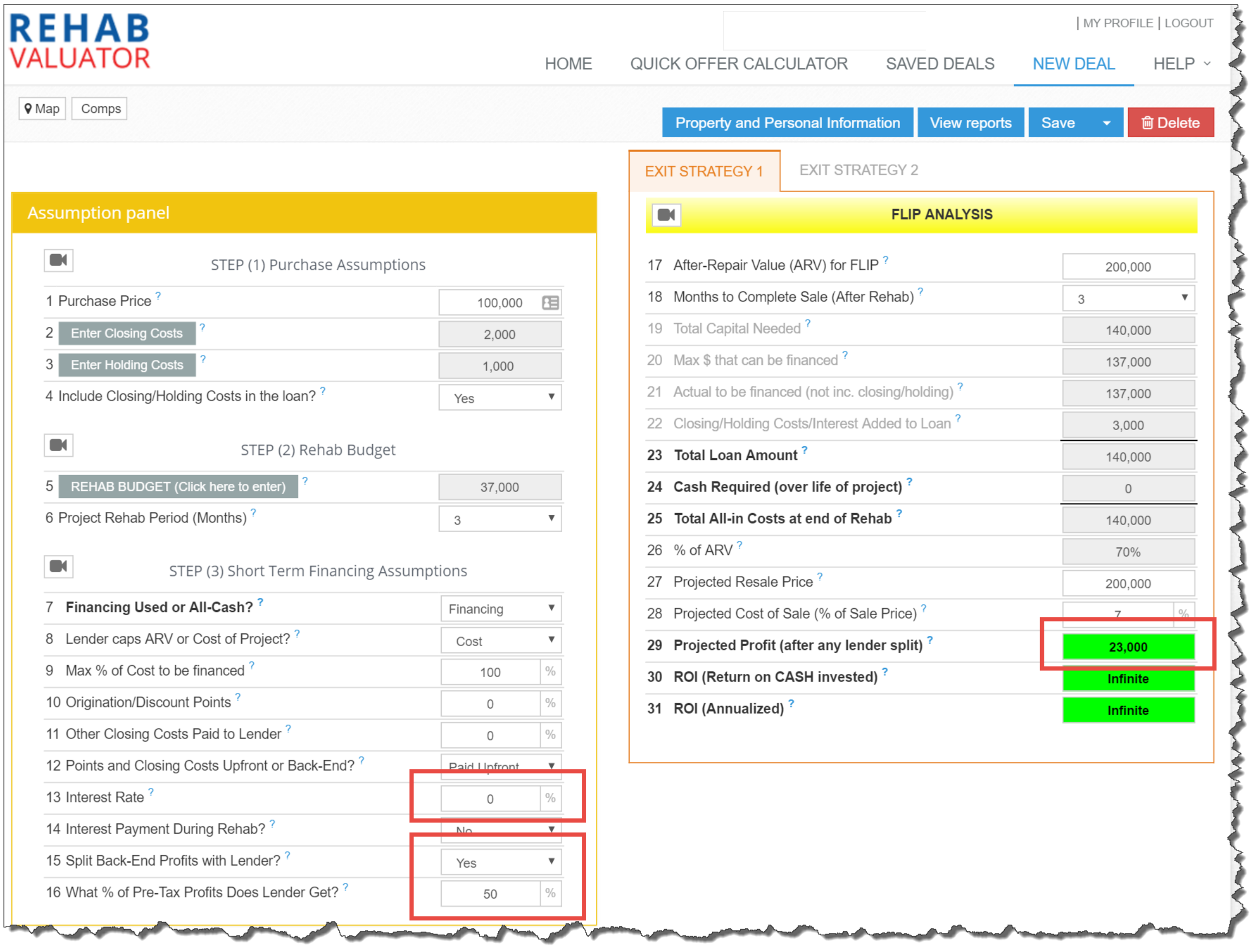
As with the last scenario, your lender gets cut into your deal, but now to a much greater level. In fact, for all intents and purposes, this structure is really more like a single-deal partnership, where your lender's getting paid exclusively based on a percentage of the deal profits, period.

Structure 6: Lender Funds All, Pure Profit Split (No Interest)

So as a partner, your lender brings 100% of the project funds to the table, inclusive of purchase, rehab, closing and holding costs, and whatever the heck else. You, in turn, are responsible for $0 cash in the deal. You bring the deal itself, the expertise, and your time and effort to manage the project to completion, whereas your partner puts up all the money, and you split the profits 50-50.

As you might imagine, there are no interest payments to make in this deal, because there's technically no loan being made. Your partner gets paid if your deal makes money, plain and simple.

Here's how the same deal we've been working with all along looks like in Rehab Valuator, but structured with a pure equity type scenario like this:



- So as you can see: Your interest rate (line 13) becomes zero
- Split back-end profits with lender (line 15) is still YES
- The percentage split (line 16) is now 50%

Here's how the deal looks from YOUR perspective:

PURCHASE/REHAB ASSUMPTIONS

		% of ARV
After-Repair Value (ARV)	200,000.00	
Purchase Price (Offer Price)	**100,000.00**	**50.00%**
Rehab Costs	37,000.00	18.50%
Total Holding and Closing	3,000.00	1.50%
Total Financing Costs	0.00	0.00%
Total Project Cost Basis	**140,000.00**	70.00%
Total Amount Financed	140,000.00	
Total Cash Commited	-	

PROJECTED RESULTS

Projected Resale Price	200,000.00
Projected Cost of Sale	14,000.00
Flip Profit (after Lender Split)	**23,000.00**
ROI	Infinite
Annualized ROI	Infinite

Timeline Assumptions

Time to Complete Rehab	3 Months
Time to Complete Sale	3 Months
Total Time	6 Months

And, here's how it looks to your lender in their *Rehab Valuator* report:

OPPORTUNITY TO EARN 8% SECURED BY 1st LIEN ON REAL ESTATE

Property Street address:	**123 Main St**	**Presented by:**
Property City, State, ZIP:	**Anytown, Anystate**	**Your Name**
Bedrooms, Baths, SqFt, Built:	, , ,	Your Company
Notes:		Your Phone
		Your Site

PURCHASE/LOAN ASSUMPTIONS		% of ARV
After-Repair Value (ARV)	200,000.00	
Purchase Price	100,000.00	50.00%
Rehab Costs	37,000.00	18.50%
Closing/Holding Costs	3,000.00	1.50%
Total Funds Needed:	**140,000.00**	**70.00%**
Points/Interest (Deferred)	0.00	**0.00%**
Total Loan Amount	140,000.00	**70.00%**
Interest Rate Offered to Lender:		**0.00%**

Timeline Assumptions:	
Time to Complete Rehab	3 Months
Time to Complete Sale	3 Months
Total Time:	**6 Months**
Profit Split to Lender	**50.00%**

Project Description Tell about your project here

Other Notes: Any other info included here

PROJECTED FINANCIAL RESULTS FOR LENDER:	
Total Interest Income	0
Profit Split	23,000
Total Income to Lender	23,000
Cash-on-Cash Return (annualized)	32.86%
Internal Rate of Return (annualized)	35.72%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Sample Photo - You can enter any caption here

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Realize that in this structure, you're lender (i.e. partner) is really sharing the risk with you in a substantial way, because if the deal goes bust, you don't technically owe them any money. But on the other side of the coin, they also stand to make a whole lot more money if/when the deal successfully comes to fruition.

So they put up all the money, you do all the work, and at the end, you split the profits down the middle, each standing to make $23,000 at the end of the day. That's a lot more than your private lender would have made in any other scenario we've looked at here! But the deal warrants it, because you're asking them to take on quite a bit of additional risk.

Bottom line, generally speaking as the potential risk to your lender goes up, so does their potential return.

So Again, Let's Recap Private Lending Structure #6

Purchase price:	$100,000
Required repairs:	$37,000
Closing and holding costs:	$3,000
Interest:	$0
After repair value (purchase value):	$200,000
Lender puts up:	$140,000
You put up:	$0
Profit split to lender – 50%	$23,000
Your project profit (after splits)	$23,000
Your cash/cash return and annual ROI:	still infinite

Bonus: A 7th Private Lender Structure

I have an extra strategy to share with you, which once again, will have you thinking outside the box a bit. But first, let's quickly review the six private lender structures we've just covered.

Scenario A – Lower LTV Debt

In this first scenario, your lender hedges their risk by keeping a relatively low LTV in your deal. We discussed two possible private lender structures under this type of scenario:

Structure 1: Your lender funds 50% of both your acquisition and rehab costs. So in our example, your lender got 8% interest, and you ended up putting $74,240 of your own capital into the deal – that's your half of the acquisition and rehab costs, plus all closing and holding costs. Your projected profit was $43,260, with a cash/cash return of 58.27% and annualized ROI of 116.54%. So a solid deal for sure, but it includes a large cash outlay for you, and thus a lower risk and lower return for your private lender.

Structure 2: Your lender funds 100% of your acquisition, but not the rehab. In our example, your lender's interest rate is still only 8% because this is still pretty darn low on the risk scale for him. Your projected profit in this structure was $42,000 (which is within around $1,000 bucks of the last scenario), but you're only $43,990 out of pocket this time, which is over $30k less than you had to bring to the table in structure #1. And your cash-on-cash return has now more than doubled!

Scenario B – Higher LTV Debt

In the "Higher Loan-To-Value" scenario, the lender would be willing to take a little more risk with you and fund more of your deal, and he enjoys a larger return as a result. Again, we covered two private lender structures under this scenario:

Structure 3: Your lender funds *everything* with a straight interest rate. You're only responsible for the closing and holding costs, and of course for making your monthly interest payments during the project, so your out-of-pocket cash goes down to only $8,480. Your projected profit of $40,520 is within $1,500 of the last scenario, but both your cash-on-cash (477.83%) and your annualized (955.66%) returns on this deal are now huge because you're putting so little of your own money into it.

➞ **Structure 4:** Lender funds the whole deal (including rolling in closing and holding costs) and lets you defer any interest payment until after the property sells. So this deal ends up being $0 out of pocket for you. Your lender now wants a little more in return for letting you put off your interest payments, so the interest rate is now 10% instead of the 8% it was in previous structures. And while your project profit of $38,883 is nearly the same as before, your Cash on Cash Return and annualized ROI are now *infinite*, due to having none of your own money into the deal.

Scenario C – Debt + Equity

The "Debt and Equity" scenario is a little more creative, in that your lender gets paid two different ways from the deal. This is where we looked at our fifth structure…

➞ **Structure 5:** We created a hybrid of debt and equity in which your lender funds everything, and you give them both (i) an interest payment and (ii) a cut of your end-profits in the deal. Just like our previous example (structure 4) your interest payments are completely deferred until the property is sold and the loan is paid off, so you're still $0 out of pocket personally. But the twist in our example was that you decreased their actual interest rate from 10% to only 4%, then increased their overall return by cutting them into the deal at a 25% cut of your end profits. In this scenario, your projected post-split profits were lower at $32,391, but by cutting your private lender into the deal, you got the deal done and spread the risk out more between the two of you.

Scenario D – 100% Equity

Our sixth scenario is more like a single-deal partnership, but viable for sure and should definitely be counted in your arsenal of options to consider.

➞ **Structure 6:** Your lender funds everything with a 50/50 profit split. This is basically a joint-venture partnership. You and your lender/partner each stand to make a potential profit if $23,000 and your cash-on-cash return is still infinite, because you have none of your own money into the deal. You brought the deal itself, your expertise, and your time and effort to manage the project to completion, whereas your partner put up all the money, and you split the profits 50-50.

BONUS Structure 7: Arbitrage for Friends and Family (or How to Borrow From People Who Don't Have Money to Lend)

So let's step "outside the box" again and take a look at another creative way you can structure these deals with your private lender. This particular strategy is pure gold in the sense that it lets you borrow from people who may not necessarily have cash to lend. So, let's start with your potential lenders' *sources of cash*.

Just because a potential lender doesn't have extra cash already tucked away somewhere doesn't mean they have no way to tap into some cash. So let's say he's got no savings, no self-directed IRA, no 'mattress money,' or big bag of cash buried behind the wall… but does he/she own a home with some equity? If so, then chances are he has untapped borrowing potential from their equity. And with typically very low interest rates, this becomes *very* cheap money.

For this strategy, I reach out to people who are very close to me, like family, close friends, and people who know and trust me.

Typically, these loans have been for smaller amounts – $30k, $40k, or $50k each, but I've personally borrowed more than $100,000 just using this method in the past few years.

Here's How This Works

It's very simple:

(1) Ask your friendly lender to write you a check from their credit line for the full amount you need to fund however much you want. (This is how lines of credit work – you can typically just write a check from them like a checking account.)

The next step is key and plays a big part in selling the idea to them…

(2) Pay your private lender 4-6 points *up front*. Remember, each 'point' is simply 1% of the amount that they're lending you, so if you're borrowing $100k, you're offering them $4,000 to $6,000 right up front.

And here's the icing on the cake…

(3) You also agree to *make their monthly interest payments* on their home equity line of credit until you repay the loan in full. Home equity lines of credit have notoriously very low interest rates, so this is actually some of the cheapest money you can borrow.

So let's think about this: You just created a lender from an unlikely source, and when you add up the up-front points and relatively small interest payments you'll be making, your cost of money from an annualized basis is only around 10%, give or take.

And your lender? Well, he's happy as a clam because he just got to lend out somebody else's money (the bank's) to a trusted friend or family member, and made a nice chunk of up-front cash in the process. Now all he has to do is sit back and wait for you to write him a check back after your project is done, while letting you make his interest payments the whole time.

But What If You Don't Have the Up-Front Cash?

Half of what makes this offer so appealing to your 'friendly lender' is that you're paying them a few thousand bucks right up front – but what if you don't have the cash lying around to do this?

For example, let's say they lend $50k out of their home equity line of credit. You offer them 6 points, which means you need to write them a check for $3,000 up front.

But what if you don't have $3k sitting around?

It's simple:

(1) They write you a check for $50k
(2) You deposit their check
(3) Then simply write them a check for $3k out of the $50k.

Just make sure you borrow enough from them to cover your entire project *plus* the points and interest payment you'll be making, and you've got another sweet deal with zero dollars out of your own pocket.

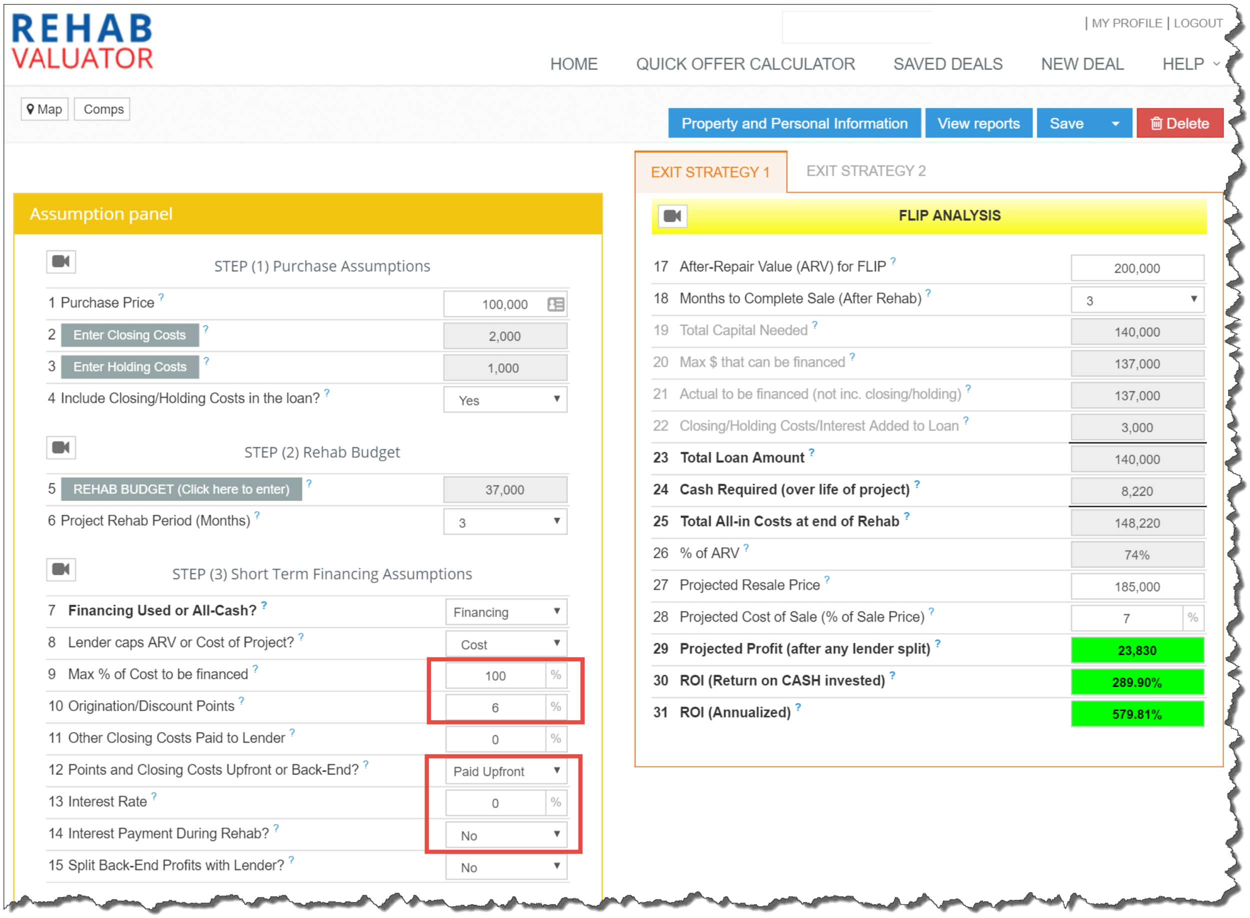
This is powerful stuff and it works really well! But it's worth saying that I really *only* do this with people who know and trust me, and know that I'm good for the money. These people know me well and have no doubt that I'd bend over backwards to pay them back if a deal went south on me for some reason.

Because of this, I've even done this type of structure without giving first liens and without promissory notes to my lender. They just write me a check with a verbal agreement, then I turn around and use that $50k or $60k for multiple deals.

You can also combine multiple lenders with multiple credit lines this way. Just remember to treat all your lenders fairly, do what you promise and always pay back every single penny.

Now, it could be structured just like any other private lending transaction where you can give them the first lien on the property. It's up to you really, but if you've got a solid relationship in place, then this can be a really phenomenal source of easy, inexpensive money for you.

Here's what this deal would look like in *Rehab Valuator*…



As you can see, you've got your lender financing 100% of the deal for you, and you're paying him 6 points up front.

Why is the interest rate left blank, if you'll be making your lender's interest payments on this home equity line of credit? Well, you could certainly input whatever his interest rate happens to be. But in this case you want to produce a report for your lender that will show him what he stands to make from the deal, and since the interest payments will go directly to his bank instead of to him, let's leave them out of the picture. So you can produce a summary for your lender that looks like this:

PURCHASE/LOAN ASSUMPTIONS		% of ARV	Timeline Assumptions:	
After-Repair Value (ARV)	200,000.00			
Purchase Price	100,000.00	50.00%	Time to Complete Rehab	3 Months
Rehab Costs	37,000.00	18.50%	Time to Complete Sale	3 Months
Closing/Holding Costs	3,000.00	1.50%	**Total Time:**	**6 Months**
Total Funds Needed:	**140,000.00**	**70.00%**		
Points/Interest (Deferred)	0.00	**0.00%**		
Total Loan Amount	140,000.00	**70.00%**		
Points Offered to Lender		**6.00%**		
Interest Rate Offered to Lender:		**0.00%**		

PROJECTED FINANCIAL RESULTS FOR LENDER:	
Total Interest Income	0
Points, Fees	8,220
Total Income to Lender	8,220
Cash-on-Cash Return (annualized)	11.74%
Internal Rate of Return (annualized)	12.92%

So with that, your lender can see he stands to make over $8k right up front, in exchange for letting you borrow from his line of credit (or basically borrowing from his bank!)

Now if you're analyzing this deal for yourself and want to see what the actual cost of your money would be, then you can simply add in the interest rate his bank is charging for the line of credit. Then you'll see exactly what your money cost is.

Try and put this powerful technique to the test!

Don't Forget Your Full Private Lender Report

I want to re-emphasize something I touched on earlier:

Rehab Valuator gives you the ability to put together a full, pro-level presentation for your lender. If you want to gain instant credibility and look like a total pro while doing it, then make sure you tap into this.

It gives you:

- A professional Cover Page
- A 1-Page Property Report
- A Cash Flow Report
- Comparable Sales
- Additional Photos Page
- A Detailed Rehab Budget

For that last item – the Rehab Budget – you can do a lump sum or create a detailed scope of work to show your private lender, whatever you prefer. It also lets you choose if you want to ask for your rehab budget to be handled in draws, or to have the entire thing funded at closing. I built this to give you maximum flexibility with how you want to structure these deals with your private lender.

What Investors Are Saying

Look, don't just take my word for how much easier *Rehab Valuator* can make your life as an investor. I know I've shown you pretty solid examples of how user-friendly and helpful it is, but as the guy who built it, my opinion's obviously a little biased.

So let's hear honestly from some people who have actually used it in the real estate investing business.

> *"I've been using your program to pitch deals to a few lenders all lined up through my church. I've secured funding for 5 deals so far using your software to structure the deals and present it with approximately $270,000 in funding. Keep up the good work."* **~Evan**

> *"I've been using Rehab Valuator Premium for over 6 months now and it is the best. Talk about building instant credibility. I've presented two deals to new private lenders that I had never done business with before and gained $600,000 funding for my deals. These two new deals netted me over $200,000 in profits in just 3 months. Your support is not like any other that I have ever experienced. Daniil, you and your staff are quick to respond to my support requests and resolve any question I may have and then back to work. For all the investors out there, I highly recommend this product. Grab it now before the price goes up. It's worth a lot more than what Daniil is charging."* **~Bart**

> *"I got your premium Rehab Valuator software and I love it. It's been awesome! I've been a real estate investor for 13 years and have spent several thousand dollars in trainings, seminars, courses, and coaching, and I've never seen anything close to what you offer, especially for such a great price."* **~Jim**

"I think this last testimonial is going to reach you guys, I just used the Rehab Valuator to wholesale a house in 2 days. I picked up $5,000. I only have about 8 hours in on this first deal and could not be happier. Rehab Valuator allowed me to appear professional to my list of buyers, and I actually had more people express interest in the house because of it. It really takes the desperate work out of these equations and allows you to present your project in a clear and concise way. I will use it on every opportunity. Thanks again." **~Margaret**

Just to be clear, Margaret is using a different sector of our reports, specifically geared to creating marking materials targeted to your wholesale buyers as opposed to lenders. This is a whole different (but equally powerful) use I built into *Rehab Valuator* – but outside the scope of our topic here.

These are just a few examples pulled from literally hundreds of honest testimonials that we've received from our clients all over the country who are using the software to help get their deals closed and funded.

Here's the Bottom Line…

If you've felt hesitant to approach private lenders because you're not sure how to best structure the deal with them, I've just handed you the keys to the castle. Now you have the knowledge to create a number of different possible scenarios, and the tools (in *Rehab Valuator*) to quickly crank out calculations and professional presentations that will get the deals done.

So the next step, if you don't have this game-changing software yet, is to take advantage of this special offer and give it a test drive. Go ahead and see how easy it is for yourself!

www.RehabValuator.com/try

See you at the top!

~ Daniil Kleyman